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## United States Senate

COMMITTEE ON SMALL BUSINESS

WASHINGTON, DC 20510-6350

July 30, 1999

The Honorable David M. Walker  
Comptroller General  
U.S. General Accounting Office  
441 G Street, N.W.  
Washington, D.C. 20548

Dear Mr. Walker:

For years, small businesses have been the engine creating the opportunities and jobs that have propelled our economy. At the same time, the stock market boom in recent years has created unprecedented opportunities for businesses to obtain the equity capital they need to continue to grow. I am concerned, however, that access to equity capital may be quite different for small businesses than for medium or large businesses.

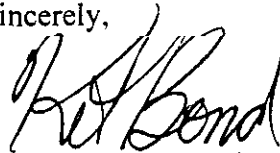
To begin to evaluate the extent to which small businesses have access to equity capital, I request that the General Accounting Office undertake a review of the costs and processes of small businesses obtaining equity capital, including conducting public offerings, engaging in private placements of securities and receiving funds from venture capitalists. I am particularly interested in an analysis of how the costs and requirements for small businesses to raise equity capital compare to those for large businesses when considering the amount of capital raised.

Specifically, I ask that you (1) gather statistics on public offerings in the various U.S. markets over the past five years, differentiated by the size of businesses, including small businesses that attempted public offerings and failed to succeed in raising the minimum offering; (2) identify the processes and costs to comply with regulatory and market requirements for public offerings and private placements of securities for both small and large businesses; (3) identify any differences in regulatory requirements for small and large businesses conducting public offerings and examine the effects of those differences; (4) describe the division of authority between Federal and state securities regulators with respect to public offerings and analyze the effect of those divisions on small businesses; (5) gather statistics on private placements of securities, differentiated by the size of the business, including attempted placements that failed to successfully raise enough capital to merit the expense; and (6) gather statistics on capital raised by small businesses from venture capitalists, including businesses that presented business plans to venture capitalists and failed to raise capital.

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This information will help the Committee on Small Business (the "Committee") analyze how to increase the access of small businesses to equity capital, while ensuring that the policy purposes of Federal and state securities laws, including the prevention of fraudulent activity and the protection of unsophisticated investors, are met. So that this analysis may begin promptly, we request a final report in May, 2000. Please contact David Bohley (224- ) on the staff of the Committee if you have any questions about this request. Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Bond", written in a cursive style.

Christopher S. Bond  
Chairman